

October 31, 1997

The Honorable Mayor Margaret H. Kluttz,
City Council, City Manager,
and the Citizens of the
City of Salisbury, North Carolina

We are pleased to submit the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 1997 (FY97). We are particularly proud of the fact this Report has been entirely prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by McGladrey & Pullen, LLP, an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

The financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to the *Governmental Accounting, Auditing and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, organizational chart, a list of principal officials, and facts and information about the City. The financial section includes the general purpose financial statements, the combining and individual fund and account group financial statements, and other schedules, as well as the auditor's opinion on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the State Single Audit Implementation Act, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Information related to the compliance audit and the schedule of expenditures of federal and State awards are included in the compliance section of this Report.

The City participates in the Certificate of Achievement for Excellence in Financial Reporting awards program sponsored by the Government Finance Officers Association of the United States and Canada. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The City's Comprehensive Annual Financial Report for the year ended June 30, 1996, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report meets the Certificate of Achievement Program's requirements and intend to submit it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

The City of Salisbury is located in the heart of North Carolina. Situated along the I-85 corridor which links the community to the state's economic centers, the City is located midway between two major metropolitan regions: Charlotte to the south, and the Piedmont Triad (Greensboro, High Point and Winston-Salem) to the north. In addition to the interstate highway, the City is also served by two major rail lines which intersect in town and a recently expanded airport on the outskirts of the community. This location offers widely diversified employment opportunities for residents in areas ranging from financial, educational, medical, and governmental to industrial and research activities. In summary, the diverse local economic base and long-term planning coupled with the region's advantages have made the City an attractive place to do business and to live.

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. Community leaders are excited about the construction of a new commercial retail center nearing completion and two additional new commercial retail centers currently under construction. Gross retail sales in Salisbury for the twelve months ended June 30, 1997, increased in excess of \$43.1 million to \$568,261,718, a substantial increase of 8.2% over last year's figures. Total county-wide sales increased in a like manner by almost 9.5% to \$968,458,626.

Salisbury has fared well economically in comparison to many other locales over the last several years. The economic processes of several years past propelled renewal within the community, providing local business, civic, and government leaders the opportunity to plan and direct a renewed industrial recruitment focus to further broaden and stabilize the City and County's economic base. The region's advantages and opportunities have become an attractive selling point for new businesses and industries locating or expanding in the area. The average unemployment rate over the past twelve months ended June 30, 1997, was a modest 3.3%, down 0.3% from 3.6% in 1996. As in prior years, this is consistently lower than the state unemployment rate which averaged 3.7%. The low unemployment rate is primarily due to a diversified industry base coupled with orderly growth and expansion of existing industries and the location of new industries and businesses in the area. Over the past 18 months, more than 1700 new jobs have been created and in excess of \$90 million has been invested in new business and industry construction and expansions in Rowan County.

The downtown area continues to go against the trend of retail exodus to area malls. The downtown business district continues to be a thriving retail center for area merchants. In addition, the renovation of the Meroney Theater by the Piedmont Players, Inc., completed in Fall 1995, has produced a flood of additional business for the downtown area restaurants and brought an entertainment facet to the downtown district. The Theater is used to produce and stage theatrical performances approximately six times a year by the Piedmont Players, a local community theater group.

The City's proximity to the State's metropolitan regions and the growth in the City and County provides many advantages and challenges. The City's management, the City Council, and the citizens continue to explore and

develop goals and plans to keep the City of Salisbury financially sound while providing the services domestic and corporate citizens require.

MAJOR INITIATIVES

During FY97, the City of Salisbury began and continued several efforts focused on the concerns, wants and needs of its citizens identified primarily in FY95. These efforts were made and accomplished in spite of the difficulties in trying to balance the citizens' needs and attain goals with the limited financial resources available. The City made several major steps in meeting those wants and needs during FY97. Three projects worth noting particularly were the continued progress in the City's comprehensive approach to at-risk neighborhood communities, identification and expansion of strategies to expand and solidify the City's tax base, and continued development for a comprehensive youth sports/soccer complex.

The development of a comprehensive, holistic approach to problem solving in neighborhoods and communities was the foremost goal from the annual Future Directions and Goal Setting Conference held in March 1994. This goal was brought forth in response to situations within neighborhoods that were heightened by criminal activity. City Council directed City staff to continue efforts begun in the pilot neighborhoods since FY95. One significant development in this plan during FY97 was to strengthen and expand the Community Policing Program begun in FY96 with the establishment of police substations in each area. The Salisbury Youth Corps, initiated in FY96, was expanded during the Summer 1997. The Youth Corps, formed from at-risk youth from the community to provide low cost labor to the City in return for wages, a sense of belonging, training in personal finances, the value of a job, and a sense of personal worth, was primarily supported through community partnerships and local businesses. New initiatives begun in FY97 also include involving area youth in neighborhood youth resource centers and working with local realtors on problem solving strategies for dealing with troublesome landlords. The City and community were very proud to have been honored this year with the Governor's Award for Excellence in Community Oriented Policing.

Annexation, both voluntary and involuntary, builds the economic strength of cities and towns and their surrounding regions. A significant focus during FY97 was City Council's attention to identifying areas for growth in the municipal tax base and adopting criteria that future City Councils will use to determine areas for annexation consideration. The culmination of these efforts was the identification of two primary areas for annexation. The City's annexation efforts have been delayed by some homeowners in the proposed areas who have exercised their judicial rights to contest the City's authority to annex their properties. The City's staff have prepared extensively and carefully to ensure these new areas will receive municipal services comparable to those offered to current residents. The City expects the court will uphold their position and the new areas annexed during FY98.

Finally, the Parks and Recreation Department exercised considerable efforts in the planning and development of the new Community Park and Athletic Complex during FY97. Their efforts resulted in City Council's authorization to purchase 314 acres of land for the construction of the park complex in July 1997.

FUTURE DEVELOPMENTS

As discussed above, the Parks and Recreation Department will continue their efforts as the Community Park and Athletic Complex begins to take shape. Public input sessions were conducted during the summer of 1997 and a site master plan is being prepared for approval in November 1997. Construction is scheduled to begin in the spring of 1998, with completion and opening of the park expected in the summer of 1999.

The Water and Sewer Utility will see the culmination of many efforts to expand service as the County's water and sewer provider. Beginning in August 1997, the City absorbed the operations and infrastructure for the

water and sewer utilities for the Towns of Granite Quarry and Rockwell. The addition of their customers will push the City's utility customer base to approximately 13,000 accounts. The City has been approached by other small municipalities about regionalization with them as well, and the City will conduct feasibility studies during FY98 for these new potential additions.

The City is excited about participating in the first Benchmarking Project being conducted by the Institute of Government of the University of North Carolina at Chapel Hill. The purpose of this project is to provide an external context in which to examine local government performance. The initial services being evaluated are police services, street maintenance and solid waste collection. The City hopes to improve existing service delivery systems by establishing local government performance measures which can be compared to other municipalities in order to assess our performance. City goal setting; team building; goals evaluation; and determining levels of service will all be enhanced by participating in the implementation of uniform performance measure standards that will allow for a municipality's performance to be assessed.

REPORTING ENTITY

This Report includes all funds, account groups, agencies, commissions, and boards which are dependent on the City or over which the City may exercise control. The City of Salisbury (as legally defined) is considered to be a primary government. Current governmental standards for accounting and financial reporting require inclusion of the primary government as well as all its component units in a published comprehensive annual financial report. Component units are legally separate entities for which the primary government is primarily financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is considered financially accountable if it appoints a voting majority of the organization's governing body; and 1) it is able to impose its will on that organization; or, 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flow from those of the primary government. Downtown Salisbury, Inc. and Salisbury New Horizons Housing Corporation, Inc. are reported as discretely presented component units.

SERVICES PROVIDED

The City of Salisbury provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

GOVERNMENT STRUCTURE

The City employs a Council-Manager form of government as provided in the City's Charter. The governing body consists of five council members, elected on a nonpartisan basis at large for a two year term. The Council elects the Mayor from themselves with the council member receiving the highest number of votes in the general election generally being selected. Elections are held in November of odd numbered years. The City Manager, the chief executive officer, is appointed by and serves at the pleasure of the Mayor and Council. The Mayor and Council adopt a balanced budget and establish a tax rate for the support of City services prior to the beginning of each July 1 to June 30 fiscal year. The City Manager administers City programs in accordance with local policy and the annual budget.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

In developing and evaluating the City's accounting systems, consideration is given to the adequacies of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and State awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and State awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY97 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of departmental balances are not released until additional appropriations are made available. Open encumbrances lapse at year end and are reinstated against the subsequent year's appropriation. They are shown as a reservation of fund balance at June 30, 1997.

BASIS OF ACCOUNTING

The City's accounting records for governmental funds are maintained on a modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unpaid interest on general long-term debt. Proprietary fund and pension trust fund revenues and expenses are recognized on the accrual basis whereby revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period in which they are incurred, if they are measurable. Fiduciary funds are accounted for on the modified accrual basis, the same as for governmental funds.

FUND ACCOUNTING

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or obtaining certain objectives in accordance with special regulations, restrictions, or limitations. Thus a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functions.

FUND AND ACCOUNT GROUP CATEGORIES

Governmental funds are those through which governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in the proprietary fund, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, usage, and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.

Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equity, revenues, expenses, and transfers relating to the government's business and quasi-business activities (where net income and capital maintenance are measured) are accounted for through proprietary funds. The generally accepted accounting principles here are those applicable to similar businesses in the private sector; and the measurement focus is upon determination of net income, financial position, and cash flows.

Fiduciary funds are used to account for assets held by governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are purely custodial in nature and do not measure the results of operations. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

In addition to these three fund types, there is a fourth category of accounting entity, the account groups. Account groups are used to establish accounting control and accountability for the government's general fixed assets and the unmatured principal of the general long-term debt. These two account groups do not, however, account for any fixed assets or unmatured principal of any long-term debt for any proprietary fund.

FINANCIAL MANAGEMENT

The City's financial management program continues to provide the citizens of the City with an approach which has served to enhance the City's excellent financial position by:

1. Investing all available funds not needed on a daily basis in order to maximize interest earnings, and
2. Allocating City resources only to program areas that meet community needs, and
3. Monitoring these program areas to ensure they are carried out within authorized levels.

This financial management program allows the City to achieve its goal of expanded and improved services at a reasonable cost to the citizens of Salisbury. Additionally, the City's bond rating of "A1" by Moody's Investors Service, Inc. and "A+" by Standard and Poor's Corporation was reaffirmed in October 1995. This is a reflection of the City's continued sound financial condition.

REVENUES - GOVERNMENTAL FUNDS

Revenues to the City's governmental funds increased during FY97 by a total of \$2,789,670 (14.72%) over the preceding fiscal year as illustrated in Exhibits 1 and 2.

EXHIBIT 1

COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES GOVERNMENTAL FUNDS

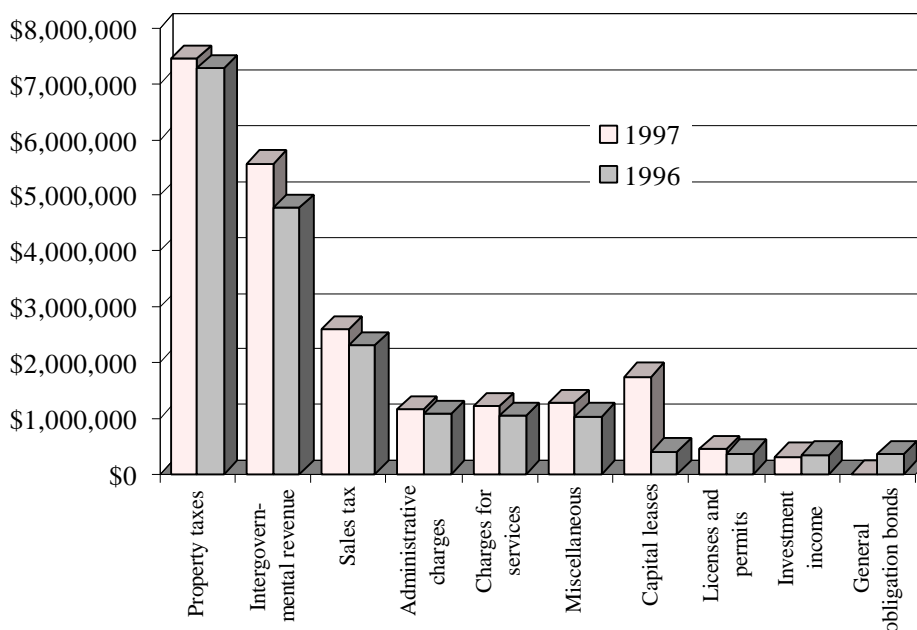
<u>Source</u>	<u>1997 Percent of Total</u>	<u>Fiscal Year Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
		<u>1997</u>	<u>1996</u>		
Property taxes, penalties, interest, and other taxes	34.25%	\$ 7,446,319	\$ 7,276,589	\$ 169,730	2.33%
Intergovernmental revenue	25.61%	5,567,435	4,781,513	785,922	16.44%
Sales tax	11.93%	2,593,133	2,298,427	294,706	12.82%
Capital lease	8.05%	1,750,000	398,271	1,351,729	339.40%
Miscellaneous	5.85%	1,272,831	1,023,626	249,205	24.35%
Charges for services	5.57%	1,211,586	1,035,203	176,383	17.04%
Administrative charges	5.29%	1,150,000	1,073,975	76,025	7.08%
Licenses and permits	1.99%	433,327	365,826	67,501	18.45%
Investment income	1.46%	314,728	341,259	(26,531)	(7.77%)
General obligation bonds	-	-	355,000	(355,000)	(100.00%)
Total	<u>100.00%</u>	<u>\$ 21,739,359</u>	<u>\$ 18,949,689</u>	<u>\$ 2,789,670</u>	14.72%

(Derived from Statements B-3, C-2 and D-2)

Property taxes, including penalties, interest, and other taxes (34.25%) and intergovernmental revenue (25.61%) continue to be the major revenue sources to governmental funds. These sources comprise a total of 59.86% of such revenues.

EXHIBIT 2

REVENUES AND OTHER FINANCING SOURCES GOVERNMENTAL FUNDS



Property Tax Revenues

In response to the needs expressed by the citizens of Salisbury and by City Council as their elected representatives, the property tax rate for municipal services remained unchanged at the equivalent rate of 57.5 cents per \$100 assessed valuation for FY97, holding the taxes essentially unchanged since FY95. The tax rate for the downtown tax district remained at sixteen (16) cents per \$100 assessed valuation. The tax receipts from the downtown district are utilized by Downtown Salisbury, Inc. for advertising and promotional activities in the district. These tax receipts are accounted for in the Municipal Service District Agency Fund and are not included in Exhibit 1. Total property tax revenue, including prior year collections increased \$294,680 (3.96%).

Total assessed valuation increased \$33,454,135 (2.61%) in FY97. Exhibit 3 depicts this change by types of assessed property, while Exhibit 4 graphically illustrates the City's property tax base.

EXHIBIT 3

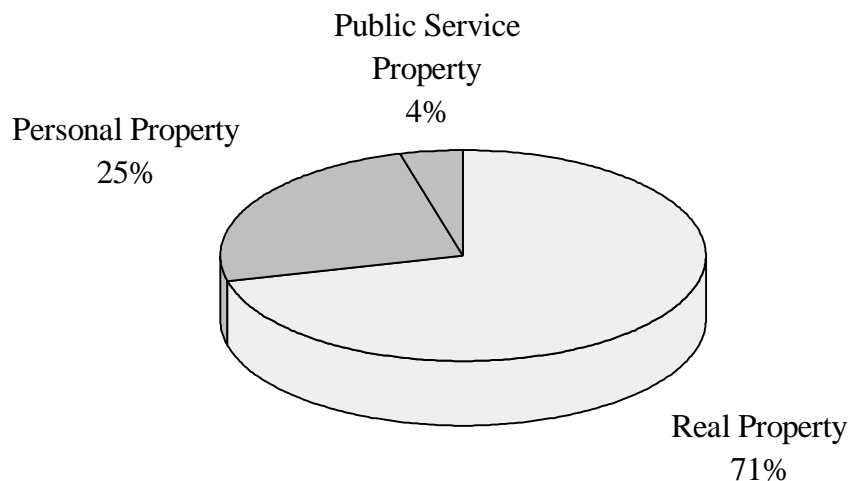
ASSESSED VALUATION

<u>Source</u>	1997	Fiscal Year Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	Percent of Total	1997	1996		
Real Property	71.06%	\$ 933,861,596	\$ 922,430,180	\$ 11,431,416	1.24%
Personal Property	24.64%	323,719,088	299,703,247	24,015,841	8.01%
Public Service Property	4.30%	56,458,430	58,451,552	(1,993,122)	(3.41%)
Total	100.00%	\$ 1,314,039,114	\$ 1,280,584,979	\$ 33,454,135	2.61%

(Derived from Table 5)

EXHIBIT 4

1997 ASSESSED VALUATION



The percentage of current taxes collected in FY97 increased slightly from FY96. Collections in FY96 were down slightly due somewhat to appeals from the revaluation process and occurs every revaluation period. Exhibit 5 compares collections in FY97 and FY96. When all property tax collections are considered, the rate of collection increased from 98.90% in FY96 to 99.27% during FY97.

Exhibit 6 graphically illustrates tax collections for the two years. The collection effort continues for a ten year period, after which any uncollected amount is written off. In FY97, a total of \$29,086 was written off.

EXHIBIT 5

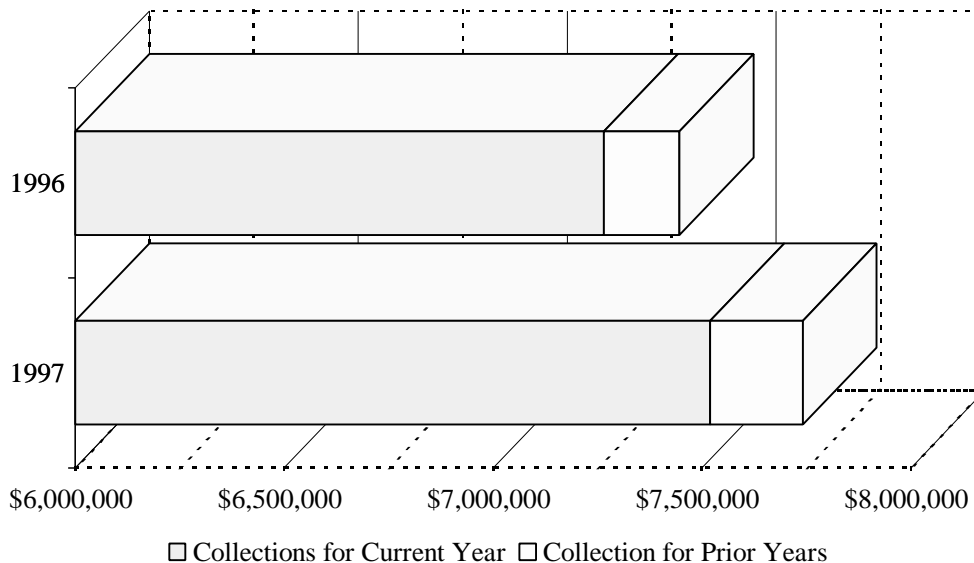
TAX COLLECTIONS

<u>Fiscal Year Ended June 30,</u>	<u>Tax Levy</u>	<u>Percent Collected in Year of Levy</u>	<u>Percent of Total Collected to Tax Levy</u>
1997	\$ 7,797,861	96.43%	99.27%
1996	\$ 7,529,260	96.49%	98.90%

(Derived from Table 4)

EXHIBIT 6

TOTAL TAX COLLECTIONS BY YEAR



Intergovernmental Revenue

Intergovernmental revenues, which is primarily composed of State-shared revenues, increased \$785,922 (16.44%) from FY96. The most significant reason for this increase is due to state transportation grant reimbursements totaling \$1,006,839 for a one-time railway depot renovation project.

Sales Tax

Sales tax revenue comprises 11.93% of the City's total governmental revenues. This year, sales tax revenue increased \$294,706 from last year. As discussed earlier, the City's local economy has continued to increase in energy, and the resulting increase in retail sales has continued to boost sales tax revenue to higher levels each year.

Investment Income

Interest earned on investments is an important contributing factor in maintaining a stable tax rate. During FY97, \$314,728 earned on investments was the equivalent of almost 3 cents on the local tax rate.

Other Revenues

Administrative charges to the Water and Sewer Fund increased \$76,025 (7.08%). This increase is due to an increase in the underlying expenditures for the utility provided by the General Fund based on an existing formula used to calculate the amount of reimbursement. Miscellaneous revenues, including sale of property, rental of property, donations, and other unclassified revenues, were up \$249,205 (24.35%) due primarily to the sale of the Towne Mall property for \$565,000. Charges for services increased \$176,383 (17.04%). This is attributable to increases across the board in user fees and charges. The proceeds of the capital lease revenue are being used to finance improvements and additions to the City's meeting and office facilities.

EXPENDITURES AND OTHER FINANCING USES - GOVERNMENTAL FUNDS

Total expenditures and other financing uses increased \$2,960,022 (16.28%) during FY97. Total expenditures and other financing uses were \$21,139,932, which is approximately \$4.1 million or 16.6% under budget. Although salaries and fringe benefit costs increased throughout the City, these increases were offset by holding the line on operational expenditures, except for increases for much needed facilities maintenance. Exhibit 7 presents a comparison of expenditures by function, while Exhibit 8 graphically illustrates where the expenditures occurred. A brief analysis of major changes follows.

Public Safety

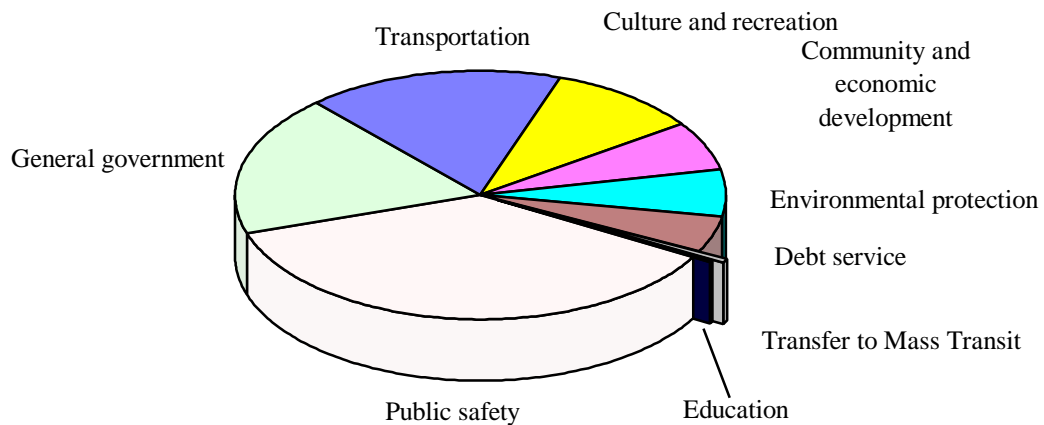
The City's Public Safety programs include police and fire service protection for which expenditures increased \$1,277,513 (19.78%) in FY97. Total Police Department expenditures increased \$629,943. This level of increase is unusual due principally to the acquisition of additional patrol vehicles at a cost of \$443,869 in preparation for the annexation areas. The remainder of the increase is due to increased expenditures for the community oriented policing program and increases in salaries and benefits. The Police Department's operational expenditures were held at approximately the same level as in FY96. Fire Department expenditures increased \$647,570. The Fire Department acquired a new pumper at a cost of \$373,000 accounting for the majority of this increase. Additionally, as part of the lease purchase contract mentioned above, the capital improvements and repairs totaling over \$93,000 were made to facilities operated by the Fire Department. The remaining increase is attributable to normal payroll and benefit increases and classification adjustments awarded to several positions to bring their salaries in line with the prevailing market.

EXHIBIT 7
COMPARATIVE SCHEDULE OF EXPENDITURES
AND OTHER FINANCING USES
GOVERNMENTAL FUNDS

<u>Function</u>	1997	<u>Fiscal Year Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>Percent of Total</u>	<u>1997</u>	<u>1996</u>		
Public safety	36.59%	\$ 7,735,362	\$ 6,457,849	\$ 1,277,513	19.78%
Transportation	18.30%	3,868,084	2,733,043	1,135,041	41.53%
General government	17.08%	3,610,184	3,925,599	(315,415)	(8.03%)
Culture and recreation	10.08%	2,130,301	1,728,392	401,909	23.25%
Community & economic development	6.39%	1,351,865	1,280,196	71,669	5.60%
Environmental protection	6.11%	1,291,270	1,272,247	19,023	1.50%
Debt service	4.64%	981,853	591,422	390,431	66.02%
Transfer to Mass Transit	0.61%	128,671	148,821	(20,150)	(13.54%)
Education	0.20%	42,342	42,341	1	0.00%
Total	<u>100.00%</u>	<u>\$ 21,139,932</u>	<u>\$ 18,179,910</u>	<u>\$ 2,960,022</u>	16.28%

(Derived from Statement A-2)

EXHIBIT 8
EXPENDITURES AND OTHER FINANCING USES
GOVERNMENTAL FUNDS - 1997



General Government

General government includes the expenditures of the City Council, City Manager, Finance, Purchasing, Information Technologies, Human Resources, City Hall, Telecommunications, Public Services Administration, and Fleet Management. The FY97 decrease of \$315,415 (8.03%) is attributable primarily to the Telecommunications department due to expenditures of \$398,271 for additions to the City's telecommunications system in FY96.

Transportation

Transportation, which includes street maintenance, lighting, traffic engineering, and Powell Bill, increased \$1,135,041 (41.53%) in FY97. Increases in the Engineering Department for several special projects begun in FY96, especially the Salisbury Depot renovation project which totaled \$868,501 in FY97, account for the majority of the increase.

Culture and Recreation

Culture and recreation experienced an increase of \$401,909 or 23.25% during FY97. Culture and recreation includes the Recreation and Landscaping departments. All the City's recreation programs, parks, recreation centers, and cultural activities and appropriations are accounted for in the Recreation Department. Recreation expenditures account for \$420,687 of the increase. Of this amount, the City expended \$352,357 for capital improvements to recreational facilities in bond proceeds and capital lease proceeds. An additional \$62,600 was spent in design and feasibility studies for the new Community Park and Athletic Complex. Landscaping expenditures decreased \$18,778.

Community and Economic Development

Expenditures during FY97 increased \$71,669 or 5.60% in the City's community and economic development programs. These programs are comprised of the City's Community Development Department, Housing and Urban Development (HUD) grant programs, Developmental Services Department, and the Plaza. The level of expenditures was slightly higher this year due to increased efforts in neighborhood revitalization through housing rehabilitation programs.

Environmental Protection

The City's environmental protection programs are comprised of the Solid Waste Management and Cemetery departments. Expenditures increased slightly during FY97 by \$19,023 or 1.50%. Increases in salaries and benefits were partially offset by successful re-bidding of the commercial collection and recycling contracts.

Debt Service

Debt service expenditures increased \$390,431, a 66.02% increase. The increase is primarily attributable to beginning repayment for debt issued during FY96. During FY97, the City issued \$1,750,000 in a capital lease finance contract to fund the acquisition and capital improvements to facilities for the City's growing space and public meeting needs.

The City's \$725,000 of general obligation bonds issued for various public improvement projects show as debt outstanding in the general long-term debt account group at June 30, 1997. The bonds are backed by the full faith and taxing power of the City. The City also has \$1,945,835 in capital leases which are included in the

general long-term debt account group. The general obligation bonds and the capital leases are being retired through the resources of the General Fund.

The City has an additional \$18,330,000 general obligation bonds outstanding at June 30, 1997, which have been issued for Water and Sewer purposes. The City has also secured Clean Water Bond loans from the State of North Carolina for several capital sewer projects and received \$816,205. Therefore, they are being shown as outstanding debt within the Water and Sewer Fund and are being retired with the resources of that Fund.

Transfer to Mass Transit

The City supplement to the Salisbury Mass Transit System decreased \$20,150 or 13.54% during FY97. The decrease represents the adjustment of funding levels necessary to allow the Mass Transit Fund to "break-even" on cash flow. As has been the case in previous years with other service departments, the Transit Division was examined for possible streamlining and performance refinements in FY96. From that evaluation, City management determined a reduction in staffing and improving the efficiency of some routes could provide a better return on the City's General Fund contribution. The full effects of this review and refinement process are more evident in FY97.

FUND BALANCE - GENERAL FUND

The \$5,759,763 fund balance of the General Fund at June 30, 1997, is \$744,212 more than the June 30, 1996 balance (see Exhibits 9 & 10). This increase is testimony to the budgetary process through which the efforts of City Council and management to curtail expenditures and to increase or create additional revenue sources are matched to exhibit a fiscally responsible organization.

EXHIBIT 9

FUND BALANCE

GENERAL FUND

	<u>Fiscal Year Ended June 30,</u>		<u>Increase</u>
	<u>1997</u>	<u>1996</u>	<u>(Decrease)</u>
Reserved by State statute	\$ 2,525,307	\$ 1,398,057	\$ 1,127,250
Reserved for encumbrances	1,386,173	336,554	1,049,619
Reserved for prepaid items	167,926	2,182	165,744
Unreserved:			
Designated for capital equipment replacement	619,170	756,754	(137,584)
Designated for subsequent year expenditures	150,000	-	150,000
Undesignated	<u>911,187</u>	<u>2,522,004</u>	<u>(1,610,817)</u>
Total fund balance	<u>\$ 5,759,763</u>	<u>\$ 5,015,551</u>	<u>\$ 744,212</u>

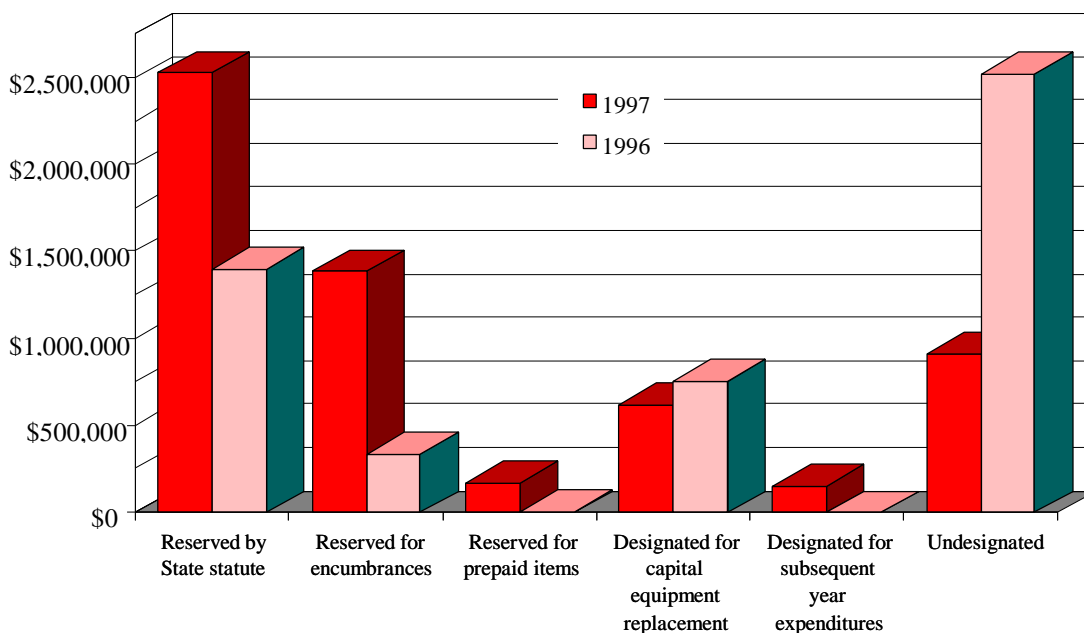
(Derived from Statement B-1)

Funds available for the replacement of vehicles and other capital equipment decreased \$137,584, principally from the liquidation of encumbrances carried from June 30, 1996. Additionally, the addition of a new pumper for the fire department has impacted the remaining funds available for future expenditures. The portion of fund balance reserved by State statute increased \$1,127,250 primarily due to a one time large increase in grant receivables from the State of North Carolina at year end. The amount reserved for encumbrances is composed of \$946,341 in continuing construction contracts and \$439,832 for other obligations not satisfied as of year end.

This value is unusually high for a management policy dedicated to matching current revenues with current expenditures. However, the great majority of these encumbrances and contracts are due to the capital improvements being funded by the lease purchase monies discussed earlier and the cash funding for the acquisition of a new state of the art telephone system. The increase in the amount reserved for prepaid expenses is due to a change in scheduled payments for insurance expenses for FY98. As part of the Annual Budget for Fiscal Year 1998, City Council appropriated \$150,000 of fund balance for the purchase of land for a proposed new fire station. Due primarily to the unusual receivable from the State of North Carolina, unrestricted and undesignated fund balance decreased by \$1,610,817 to \$911,187. Had the City received this grant revenue prior to June 30, 1997, unrestricted and undesignated fund balance would have been \$1,918,026.

EXHIBIT 10

COMPARATIVE ANALYSIS OF FUND BALANCE



The City follows a policy of maintaining an adequate fund balance as a safeguard against unforeseen circumstances and to provide a solid foundation for the City's fiscal health. At June 30, 1997 fund balance equaled 25.70% of the General Fund's operating budget for the new fiscal year.

BONDED INDEBTEDNESS

Total outstanding general obligation debt at June 30, 1997 was \$22,525,927. North Carolina statutes provide that cities may maintain outstanding debt in an amount equal to eight percent (8%) of assessed valuation. The current statutory debt margin for the City is \$84,577,239.

CASH MANAGEMENT

The City's temporary idle cash is invested in interest bearing demand deposits, certificates of deposit, obligations of the U.S. Treasury and federal agencies, bankers acceptances, commercial paper, and the North Carolina Capital Management Trust. All revenues received are deposited the same day in a consolidated interest-bearing bank account. This bank account is drawn upon to meet all payroll and payable obligations, and the City maintains in this account only as much money as is required to meet current obligations. All other idle cash is invested in instruments authorized by the General Statutes of North Carolina. The average yield on investments

was 4.42% for the year ended June 30, 1997.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. The City's entire investment portfolio at June 30, 1997, is classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The remainder of the portfolio is exempt from risk categorization as the NC Capital Management Trust is an SEC registered mutual fund where the City is only a shareholder of a percentage of the fund and does not own any identifiable securities.

RISK MANAGEMENT

In the efforts to maintain services at a reasonable cost to the citizens of Salisbury, the City has developed and maintained a risk management program which encompasses nearly every aspect of the City's operations. Insurance liability coverage is obtained through a combination of commercial insurers, the insurance pool administered by the NC League of Municipalities, and self insurance. This approach has allowed the City to obtain maximal amounts of property and liability coverage at the most economical cost.

EXHIBIT 11

COMPARATIVE SCHEDULE OF REVENUES ENTERPRISE FUNDS

<u>Source</u>	<u>1997 Percent of Total</u>	<u>Fiscal Year Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
		<u>1997</u>	<u>1996</u>		
Water and Sewer:					
Charges for services	89.15%	\$ 10,999,379	\$ 10,412,898	\$ 586,481	5.63%
Other revenues	8.38%	1,034,278	1,280,576	(246,298)	(19.23%)
	<u>97.54%</u>	<u>\$ 12,033,657</u>	<u>\$ 11,693,474</u>	<u>\$ 340,183</u>	2.91%
Mass Transit:					
Charges for services	0.65%	\$ 80,388	\$ 77,939	\$ 2,449	3.14%
Other revenues	1.81%	223,513	237,335	(13,822)	(5.82%)
	<u>2.46%</u>	<u>\$ 303,901</u>	<u>\$ 315,274</u>	<u>\$ (11,373)</u>	(3.61%)
Total	<u>100.00%</u>	<u>\$ 12,337,558</u>	<u>\$ 12,008,748</u>	<u>\$ 328,810</u>	2.74%

(Derived from Statement E-2, E-5, and E-9)

REVENUE - ENTERPRISE FUNDS

Enterprise funds revenue increased by \$328,810 (2.74%) over the previous fiscal year (see Exhibit 11). The revenue increase in the Water and Sewer Fund of \$340,183 (2.91%) is attributable to two reasons. First, an overall increase in water and sewer rates of 6%, which was effective January 1, 1997, generated additional revenue. However, a decrease in intergovernmental revenues for sales tax offset these gains somewhat. Revenues in the Mass Transit Fund decreased \$11,373 (3.61%). Transit fare revenues increased slightly by \$2,449 (3.14%) over the prior year due to a moderate increase in fares. Other revenues decreased \$13,822 (5.82%) due primarily to a decrease in supplemental funding by the NC Department of Transportation.

EXPENSES - ENTERPRISE FUNDS

Enterprise expenses increased only \$1,038,443 (10.95%) over the prior fiscal year as shown in Exhibit 12. Water and Sewer Fund expenses, including depreciation, increased \$1,085,487 (12.17%). Administration expenses increased \$38,400 (1.84%), of which most can be attributable to increases in professional services expenditures for preliminary engineering designs and consultants. Operations expenses increased \$596,492, a 13.36% increase due primarily to expanded maintenance on infrastructure and facilities that had been deferred the last several years. Interest expenses increased greatly from FY96 due to having a full year of interest costs on the \$13,650,000 bonds sold in November 1995. Depreciation expenses are increasing due to the capitalization of infrastructure and capital projects totaling more than \$16,835,000 over the last two years.

Mass Transit Fund expenses, including depreciation, decreased \$47,044 or 8.39%. When the effect of depreciation is removed, the Fund experienced a decrease of only \$1,157. The increase in services is primarily due to the transfer of insurance premiums from the Administration to Services division due to mandated funding formulas.

EXHIBIT 12

COMPARATIVE SCHEDULE OF EXPENSES ENTERPRISE FUNDS

<u>Function</u>	<u>1997</u>	<u>Fiscal Year Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>Percent of Total</u>	<u>1997</u>	<u>1996</u>		
Water and Sewer:					
Administration	20.21%	\$ 2,125,656	\$ 2,087,256	\$ 38,400	1.84%
Operations	48.12%	5,062,152	4,465,680	596,472	13.36%
Interest	9.53%	1,002,294	778,652	223,642	28.72%
Depreciation	17.27%	1,816,927	1,589,954	226,973	14.28%
	<u>95.12%</u>	<u>\$ 10,007,029</u>	<u>\$ 8,921,542</u>	<u>\$ 1,085,487</u>	<u>12.17%</u>
Mass Transit:					
Administration	0.99%	\$ 104,054	\$ 135,609	\$ (31,555)	(23.27%)
Services	3.07%	322,470	292,072	30,398	10.41%
Depreciation	0.83%	87,208	133,095	(45,887)	(34.48%)
	<u>4.88%</u>	<u>\$ 513,732</u>	<u>\$ 560,776</u>	<u>\$ (47,044)</u>	<u>(8.39%)</u>
Total	<u>100.00%</u>	<u>\$ 10,520,761</u>	<u>\$ 9,482,318</u>	<u>\$ 1,038,443</u>	<u>10.95%</u>

(Derived from Statement E-2, E-5, and E-9)

FUND EQUITY - ENTERPRISE FUNDS

Water and Sewer Fund equity, as shown in Exhibit 13, increased by \$4,309,998 while the Mass Transit Fund equity increased by \$19,838 between July 1, 1996, and June 30, 1997. The Water and Sewer Fund equity increase was primarily the result of capitalizing construction projects and significant developer contributions. The increase in Mass Transit fund equity was due principally to recognition of federal and state contributions for capital expenses related to the purchase of smaller buses during FY97. The Transit System's operations made a small profit as a continuing result from the efficiencies determined from a systems review in FY96 and due to

supplemental funding from the NC Department of Transportation. These factors resulted in net income before depreciation of \$6,048.

EXHIBIT 13
FUND EQUITY
ENTERPRISE FUNDS

	<u>1997</u>	<u>1996</u>	<u>Increase (Decrease)</u>
Water and Sewer:			
Contributed capital	\$ 22,054,841	\$ 19,771,471	\$ 2,283,370
Retained earnings	<u>23,560,856</u>	<u>21,534,228</u>	<u>2,026,628</u>
	<u>\$ 45,615,697</u>	<u>\$ 41,305,699</u>	<u>\$ 4,309,998</u>
Mass Transit:			
Contributed capital	\$ 1,463,158	\$ 1,362,160	\$ 100,998
Retained earnings	<u>(1,110,449)</u>	<u>(1,029,289)</u>	<u>(81,160)</u>
	<u>\$ 352,709</u>	<u>\$ 332,871</u>	<u>\$ 19,838</u>
Total fund equity	<u>\$ 45,968,406</u>	<u>\$ 41,638,570</u>	<u>\$ 4,329,836</u>

(Derived from Statement E-4 and E-8)

INTERNAL SERVICE FUNDS

The City maintains two internal service funds for the purpose of providing services to the City's other operational funds. These funds are the Workers' Compensation Fund and the Employee Health Care Fund.

The City is self-insured for workers' compensation claims with an excess policy. The Workers' Compensation Fund is used to account for monies provided by the City and interest earnings on those monies to provide funds for major workers' compensation claims. The City incurred \$76,116 in claims during the year which required the use of City funds but not our excess policy. FY97 claims were down dramatically by \$94,079 from the prior year. During FY96, the City incurred three individual claims in unusual work-related accidents. The City maintains a constant vigilant effort to hold costs to a minimum through the City's active development of risk reduction activities. These include reviewing employee accident reports, employee accident prevention training, employee health awareness activities, and newsletters to employees. FY97 claims represent a return to experience levels evidenced in prior years.

The City also is self-insured for its employee health care policy. Premiums are established for the various classes (individual, parent-child, and family) of health care annually. The City deposits its contribution together with the amounts withheld from employees' compensation to the Employee Health Care Fund monthly. All claims for benefits under the City's health care policy are paid from this Fund. The City also maintains specific stop loss coverage of \$40,000 per employee annually and an aggregate stop loss of 120% in excess of anticipated claims. During the year, the City incurred excess benefit claims for two covered individuals where the specific stop loss was applied. Claims for the year were \$161,644 (11.72%) higher than last year. The Fund maintains a balance in excess of the incurred but not reported claims estimate.

FIDUCIARY FUNDS

The City maintains three fiduciary funds: Boards and Commissions and Municipal Service District funds, which are agency funds, and the Law Officers' Special Separation Allowance Fund, a pension trust fund.

A municipal service district was established in Salisbury in 1986 together with a non-profit company named Downtown Salisbury, Inc. to administer the disbursement of funds received by the district. The City levies a tax rate of sixteen cents per \$100 assessed valuation on this special tax district. The Municipal Service District Fund is used to account for the collection of this tax and the remittance of it to Downtown Salisbury, Inc. During the year, the City remitted \$82,877 to Downtown Salisbury, Inc. from the Municipal Service District Fund.

The Boards and Commissions Fund is used to accumulate and disburse funds earned by the Community Appearance Commission, Tree Board, and the Thurston Soccer Complex Committee. At June 30, 1997, they had a balance of \$44,695 available for their use.

The City sponsors a deferred compensation plan in accordance with Internal Revenue Code Section 457. All employees may participate in the plan as a supplemental retirement income source. The plan participants direct the investment of their assets through the Plan's trustee. Due to a change in the laws regulating the appropriate sections of the tax code, the plan participants' investments are now held in trust by an external administrator. Accordingly, the City has removed the value of the plan participants assets as there no longer exists a fiduciary responsibility for these assets.

The Law Officers' Special Separation Allowance Fund was established to account for the pension activities mandated by State statute under the Law Enforcement Officers' Special Separation Allowance. The Fund accounts for contributions made by the City to provide for pension benefits, interest earnings on these monies, and the disbursement of pension amounts. During FY97, the City paid \$17,856 in pension benefits. The City conducts an actuarial review of the Plan on an annual basis and adjusts the required contributions to the Fund at the beginning of each fiscal year.

CONCLUSION

The City of Salisbury has been fortunate to continue to experience rates of growth in its revenue base from taxable valuation during FY97. This growth was sufficient to accommodate expenditures during the year and maintain favorable fund equity.

As we look ahead to the future, a great financial responsibility awaits the City in the Water and Sewer Fund. The City will continue several projects begun during FY95 through FY97. These projects, financed by the sale of \$13,950,000 in bonds in November 1995 and future financing sources, will ensure a reliable supply of water for our residents; protect the environmental habitats of Grants Creek, Town Creek, and High Rock Lake, and generally provide for the future of our community. The magnitude of these projects is critically important to the City. Increasing State and federal water and wastewater mandates have required the City to make continual investment in water and sewer systems infrastructure and costs to operate these systems. The consolidation efforts for the Towns of Granite Quarry and Rockwell present many advantages to ensuring the stability and moderation of rate increases over a larger customer base. Significant capital projects are underway and planned for the future. Now that we know what needs to be done, we must begin in earnest to complete the improvements to the Water and Sewer Utility for the next decade of growth.

The future holds many uncertainties. Federal and State mandates continue to severely press local government in all areas of operations, not just water and sewer. The citizens of Salisbury have come to expect and appreciate the high level of service they enjoy. The management of the City is necessarily charged with managing its resources in the best possible manner to deliver those services at a cost citizens will agree to bear. As long as

revenue growth rates do not decline unexpectedly; the costs of providing services do not escalate more rapidly than in previous years; and the City continues to evaluate all existing and potential revenue options, including annexations, we can accomplish this task. It will not be easy, but few challenges are. All City operations are being asked to contribute to the focused effort to maintain our municipal ship of state in health and readiness to respond to our citizens. We have made it happen before, and we will make it happen again. Overall, continued growth and policy adjustments that have been initiated by City Council will continue to provide the City a stable financial position from which we may serve the citizens of Salisbury for years to come.

ACKNOWLEDGMENTS

We wish to thank the Mayor, City Council and the City Manager for the support and trust they have given the Finance Department. On behalf of the team of the Finance Department, we promise our continued dedication to proving ourselves worthy of their support and trust. We are confident that together we can provide the citizens of Salisbury with responsible and progressive financial management.

For the preparation of this Report, the City is especially indebted to Becky S. Albrecht, Finance Specialist and Mark D. Drye, Accountant. Without their assistance, this Report could not have been prepared on a timely basis.

Each year, we strive to prepare a financial report which provides a meaningful analysis and disclosure of the City's financial activities and financial position. We believe this Report conforms substantially to the standards of financial reporting of the appropriate professional organizations.

Respectfully submitted,

John A. Sofley, Jr.
Finance Director

Jeffrey A. Moore
Accounting Supervisor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salisbury,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

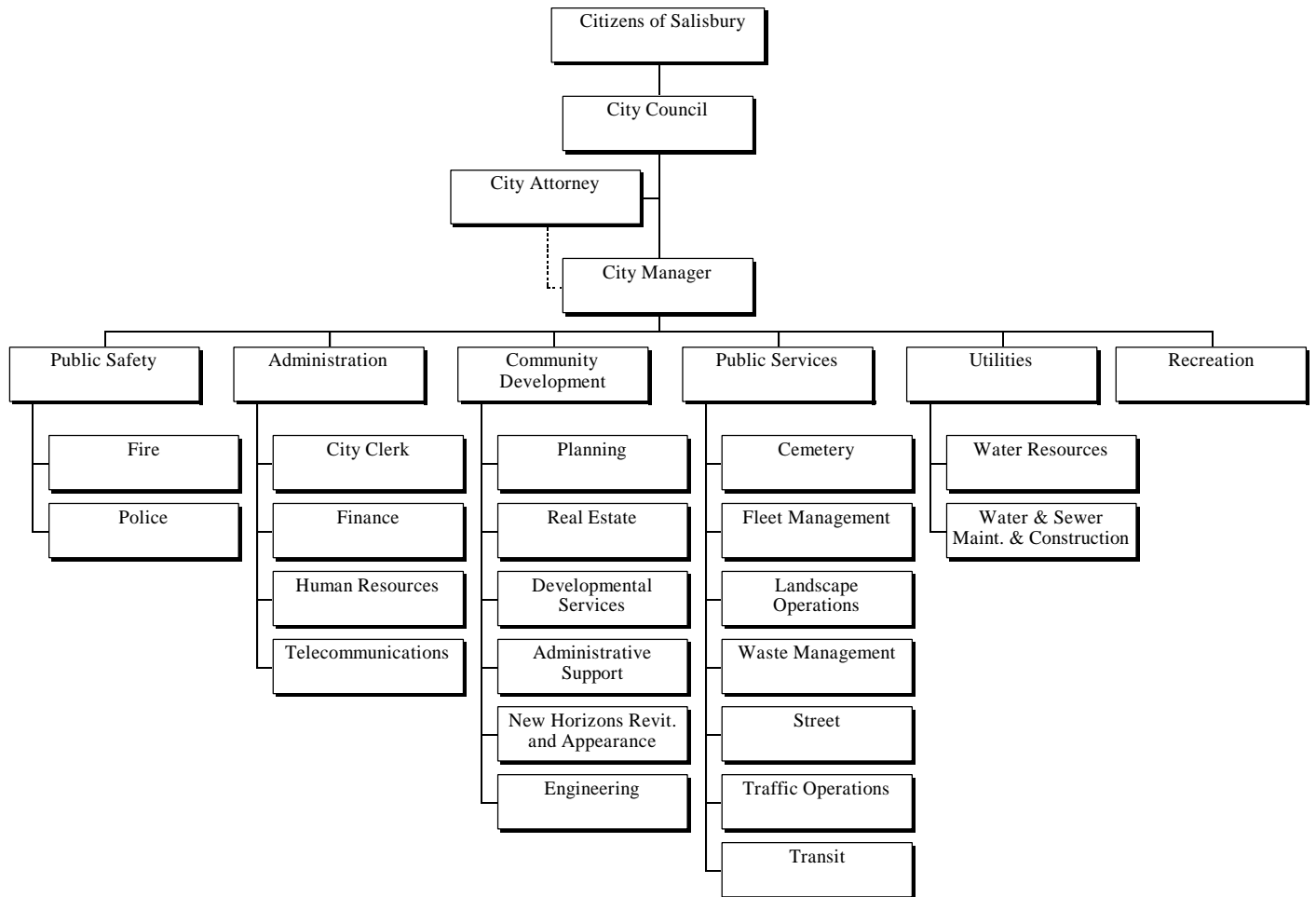
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

City of Salisbury Organizational Chart



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

June 30, 1997

Mayor	Margaret H. Kluttz
Mayor Pro Tem	William R. Kennedy
Council Member	Kenneth B. Fink
Council Member	R. Scott Maddox
Council Member	Jeffrey L. Whittington
City Manager David W. Treme	
Assistant City Manager	J. Foster Owen
City Clerk	Virginia P. Petrea
Finance Director	John A. Sofley, Jr.
Fire Chief	Samuel I. Brady
Land Management and Development Director	Larry W. Chilton
Information Technologies Manager	C. Michael Crowell
Human Resources Director	Melissa H. Taylor
Police Chief	Jeff M. Jacobs
Public Services Director	Vernon E. Sherrill
Purchasing Agent	Dewey D. Peck
Recreation Director	Gail Elder-White
Telecommunications Manager	Allen D. Linker
Utilities Director	John C. Vest

FACTS AND INFORMATION ABOUT THE CITY OF SALISBURY, NORTH CAROLINA

LOCATION

Salisbury, the county seat of Rowan County, is located in the heart of the beautiful Piedmont area; the industrial heart of the State. Salisbury is located midway between Charlotte and Winston-Salem, 296 miles from Atlanta, Georgia and 368 miles from Washington, D.C.

CLIMATE

The climate of the Salisbury area is moderate, a definite advantage to those who live and work here. The massive mountains of Western North Carolina form a natural barrier against the cold east-west winds. While definitely southern in climate, Salisbury is far enough north, and has sufficient altitude to escape the humid summers of many other southern regions. Extremes in climate are very rare and short-lived. In winter the high temperature is about 50 degrees, with a low around 32 degrees. The total snowfall is normally about 6 inches each year. In the summer, the high averages about 87 degrees, with a low of 66 degrees.

POPULATION

The City of Salisbury has been able to maintain its population during the 90's unlike many other similar sized cities. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 26,177.

HISTORY

Scotch-Irish, who originally settled in Lancaster County, Pennsylvania, moved down the "Great Wagon Road" 435 miles to Trading Ford on the Yadkin River to become the first settlers in Rowan County.

The County of Rowan was established in 1753. At this time, Rowan included all territory north to Virginia and east to what we know now as Guilford County and west to the mountains. Eventually, 26 counties were formed from Rowan. Rowan County was named for Matthew Rowan, acting governor for the colony in 1753.

The deed for Salisbury is dated February 11, 1755. The court center, called prior to this time Rowan Court House, was a bustling little village of seven or eight log cabins, a court house, jail and pillory,

according to Governor Arthur Dobbs who visited here in late 1755.

The Court House dates to 1753 and consists of deeds, marriages, and miscellaneous records of value. Papers formerly in the Clerk's Office such as the early court minutes are stored at the State Department of Archives in Raleigh. Familiar names in American history adorn these records.

Andrew Jackson, Richard Henderson, William R. Davis, Daniel Boone, Lord Cornwallis, Richard Caswell and many other prominent local families as the Barkleys, Hoovers, and Polks, all ancestors of presidents or vice-presidents, appear time and again in the deeds and court minutes of the county.

Two years before the national Declaration of Independence and one year before the Mecklenburg Declaration of Independence, a group of patriotic citizens of Rowan County, serving as a Committee of Safety, on August 8, 1774, adopted the Rowan Resolves containing the pioneer element toward liberty and independence from Britain. These resolves reached the highest note of any passed in the colony in calling for the abolishment of the African Slave trade and urging the colonies to "unite in an indissoluble union and association". These resolves are located in the State Archives and are the only ones of the many passed in this period that are preserved.

So many legends and lifestyles have been passed down over the passage of time. Daniel Boone began his exploration of the Blue Ridge Mountains from here in Salisbury. Near the present-day library, is the small office where Andrew Jackson studied law and was admitted to the bar before he moved westward.

For all the struggles and hardships our ancestors endured, they have provided Salisbury with character and a rich heritage.

GOVERNMENT

The City of Salisbury's government is organized according to the Council-Manager form of government. The City Council, which formulates policy for the Administration of the City, together with the Mayor, constitutes the governing body of the City. The five (5) members are elected to serve two (2) year terms of office. The Mayor is elected from the five (5) Council members. The Mayor presides at



City Council meetings. Also, a Mayor Pro Tem is elected by City Council members from the five (5) to serve as Mayor during her absence or disability.

The City Council appoints the City Manager to serve as the City's Chief Executive Officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures, and appointing departmental officers. At the present time, the City Manager is assisted by the City Clerk and nine staff departments including Finance, Human Resources, Fire, Police, Telecommunications, Community Development, Public Services, Parks and Recreation, and Public Utilities.

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 300 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 12 million gallons per day. Average daily usage during 1996 was 9 million gallons per day. The filter plant is designed for expansion as needed to 18 million gallons per day by adding pumping and settling capacity. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city. In addition, the Salisbury water system supplies three smaller towns in the County, Spencer, East Spencer, and Granite Quarry, and has been extended to a number of industrial sites well beyond the city limits. The water supply meets all federal and State quality requirements. Salisbury's water is fluoridated on a continuing basis. Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis and China Grove. Additionally, these plants serve the towns of East Spencer and Granite Quarry. Total treatment capacity in 1997 was 12.5 million gallons. Average daily usage in 1996 was 8.5 million gallons per day.

Other utilities are provided by Duke Power Company, Piedmont Natural Gas Company, Southern Bell Telephone, and Western Union.

TRANSPORTATION

Salisbury, nearly the geographic and population center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 53 miles from

Greensboro and 38 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 3 million people live within 90 miles of Salisbury, 1.5 million within 55 miles and 60% of the population of the United States within an overnight truck haul. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

Rowan County Airport, three (3) miles from downtown Salisbury, has a 5,800 ft. x 100 ft. paved and lighted runway. Hangar space and private plane servicing are available.

The major commercial airports at Charlotte and Greensboro-High Point are less than an hour's easy drive from Salisbury. These airports provide excellent service to all parts of the United States via United, USAirways, Delta, TWA, Continental, Eastwind and American Airlines. There are also direct flights available to London and Frankfurt.

Bus service is provided by Carolina Trailways and Greyhound with daily arrivals and departures. Their service also includes parcel shipments.

Local bus service is provided by the City's Transit System.

MOTELS

An ideal area for small conventions, Salisbury has ten (10) motels, with over 600 rooms, and two (2) bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to two (2) colleges and a technical college. Catawba College has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,300 Liberal Arts Co-ed students and is affiliated with the United Church of Christ. Catawba College was founded in Newton, North Carolina in 1851, and opened in Salisbury in 1925.

Livingstone College was founded in 1879, and has 914 Liberal Arts Co-ed students. It is supported by the African Methodist Episcopal Zion Church; Hood Theological Seminary is located at Livingstone.

Rowan Cabarrus Community College offers two-year educational programs leading to the associated degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 3,457 students.

There is also one Beauty Culture School in Salisbury. In addition to the public school facilities, there are private elementary church schools.

ARTS AND ENTERTAINMENT

The cultural atmosphere of the Salisbury area is significantly enriched by the outstanding programs of Catawba and Livingstone Colleges and the other colleges in the area. Each year the Catawba College Shuford School of Performing Art brings a minimum of four musical events to Salisbury. Catawba's fine Drama department offers several professional type drama productions each year. Livingstone College also has a cultural series that brings artists to the community as well as an excellent drama group, The Julia B. Duncan Players.

The Piedmont Players, a community little theater organization, provides excellent entertainment as well as a chance to participate in both its acting and technical activities. They have completely restored the historic Meroney Theater, built in 1905. This theater provides a home for the Players and other performing artists.

The Salisbury-Rowan Symphony, consisting of musicians from the area, presents four concerts each season. In addition to participation in the regular concert series, the string quartet of the Salisbury Symphony visits the elementary schools to present programs. The object of this mini-concert series is to give the students some knowledge of music and famous composers.

Rowan-Cabarrus Community College participates in the North Carolina Visiting Artist Program. Each year a professional artist is employed and in residence at the college. Concerts and musical programs are provided regularly by many artists throughout the state as well as the Visiting Artist. In addition, Rowan-Cabarrus Community College sponsors a Folk Heritage Center. This center serves as a network for professional and local folk artists and presents classes, concerts, and other folk artist activities for the general public.

COMMUNITY FACILITIES

Salisbury is served daily by The Salisbury Post. Four (4) radio stations provide for local programming. Although there are no local television stations, local reception provides coverage of all major networks in addition to cable television facilities. A full-time year-round recreation staff

offers activities for both young and old. In addition to organized activities, the City provides several parks and facilities for general use.

City Park has a completely equipped playground, tennis courts and a five (5) acre lake for fishing. Salisbury has a Civic Center with weight room, racquetball courts, auditorium, tennis courts and a handicap exercise trail.

Kesley-Scott Park is a fifteen (15) acre park located on Old Wilkesboro Road. Jaycee Sports Complex is a multi-use area with four (4) ball fields. Miller Recreation Center is referred to as the "Youth Center".

Hurley Park is a municipal garden which has a unique collection of plants to the area. The Park provides an educational experience as well as a pleasurable place to stroll.

SPECIAL EVENTS

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The National Sportscasters and Sportswriters Awards Program has enjoyed a fantastic success. From its humble beginning to the present time, this program has attracted great national attention to the City. Each year celebrities visit Salisbury to attend the Annual Awards Program.

